

Montana Agriculture Development Council Minutes
Business Conference Call
Originated from Department of Agriculture
Helena, Montana
September 6, 2011

Members participating in person:

Ron de Yong, Director of Agriculture, Helena

Members participating by phone:

Dore Schwinden, Director, Montana Department of Commerce

David Tyler, Chair, Belgrade

Ervin Schlemmer, Vice-Chair, Joliet

Patricia Quisno, Harlem

Bill Koenig, Kalispell

Verges Aageson, Gildford

Staff attending in person:

Joel Clairmont, Deputy Director, Montana Department of Agriculture

Cort Jensen, Chief Attorney, Montana Department of Agriculture (partial attendance)

Collin Watters, Bureau Chief, Agricultural Marketing and Business Development Bureau

Angie Nelson, Program Manager, Growth Through Agriculture

Lindra Davies, Agriculture Marketing Technician

Montana Department of Agriculture staff were available to the Agriculture Development Council (Council) for information purposes.

David Tyler, Chair, called the meeting to order at 7:10 a.m., September 6, 2011

Roll Call/Call for Proxies

- *No proxies were received and all of the Agriculture Development Council members were available for the meeting.*

Business Items

Review of June 1, 2011 Business Teleconference Minutes

Motion: To approve the minutes as presented.

By: Ervin Schlemmer

2nd: Verges Aageson

Action: The motion carried with no dissenting votes.

Trade Show Assistance Program Proposed Changes

Angie DeYoung, the Department's Domestic Marketing Officer, requested to increase the maximum Trade Show Assistance Program (TSAP) amount from \$1,000.00 to \$2,500.00 while retaining the total budget of \$15,000.00.

Angie DeYoung provided the Council with a report on how the anticipated award increase would enhance the TSAP package currently offered.

Motion: To accept Angie DeYoung's TSAP proposal as requested.

By: Bill Koenig

2nd: Verges Aageson

Action: The motion carried with no dissenting votes.

Council Feedback on Current Application Process

Angie Nelson proposed that some pieces of the application process may not be beneficial for Council review and asked for the Council's feedback on the credit report section and the financial format currently used in applying for Growth Through Agriculture funding.

The Council agreed to consider the applicant's credit score and to pull a credit report only if issues are apparent.

The Council agreed to require that the applicants use the financial format provided by the Department of Agriculture and that technical assistance be provided by staff, as well as, the Small Business Development Center and Food and Agriculture Development Center networks. The Council suggested to include a date on financials to alleviate confusion on prior year, 1st, 2nd, and 3rd year projections and to also clarify what is needed in the application instructions.

Angie announced that staff are currently working on the conversion process to the online grant management system which included the development of a new online application form. She suggested that this would be a good time for the Council to provide feedback on what changes they would like happen since the new application will soon be published for applicants to use.

In anticipation of reviewing the applications online during the next Council meeting, a poll was taken on who would need access to a laptop. Dave, Patricia, Verges, Ervin have access and Bill does not.

Financial Review

Angie Nelson, Growth Through Agriculture Program Manager, gave an overview of the financial information to date for SFY2012.

Grant/Loan Status Review

Angie Nelson reported on all active accounts as of August 25, 2011 and noted that reporting delinquencies are no further than 30 days out.

She also reported that she is in the process of moving a few loans to Cort Jensen, the Department's legal counsel, for further legal action. Those files will be discussed further into the meeting during the issues portion of the agenda.

Requests

- Pioneer Meats – 1150381

Brian Engle of Pioneer Meats requested that the Council allow his loan award of \$30,000.00 be transferred into a grant award.

During the September 2010 Council meeting, the Council approved funding the business's proposal as a loan in the amount of \$30,000.00 for the purchase of a vacuum stuffer.

Angie reported that the Department received a letter from the Citizen's Bank stating they are considering a \$130,000.00 to \$160,000.00 loan request from Brian Engle for real estate improvements to expand Pioneer Meats. The letter further stated "If Brian could obtain a grant, rather than having to go with a loan for \$30,000.00 to purchase the vacuum stuffer, it would make his monthly payment a more workable figure and give him a buffer in his cash flow."

Since Big Timber Meats bankruptcy has not been finalized, Mr. Engle cannot proceed with either option of purchasing that facility or adding on to their current facility.

Motion: To deny Brian Engle's request to transform his loan award to a grant.

By: Bill Koenig

2nd: Ron de Yong

Action: The motion carried with no dissenting votes.

The Council agreed to invite Mr. Engle to participate by teleconference or in person sometime during the next two business meeting days. The purpose would be to answer a couple of questions in order for the Council to determine how to move forward with the recipient's loan award since payments were to begin the end of 2010.

- Going to the Sun Fiber Mill – 0650957

Diana Blair of Going to the Sun Fiber Mill requested that the Council forgive her loan of \$50,000.00.

During the June 2006 Council meeting, the Council approved funding as a loan in the amount of \$50,000.00 for the purchase of a mini mill, small industrial mill and a large dehaier. Terms of the loan included two year deferment of interest and payments and annual payments over a five year period. In 2008 a discrepancy in the loan documents was noted and the business was granted a three year deferment of interest and payment to begin June 28, 2009.

In 2009 the business was allowed deferral of payments to June 28, 2010 and again in 2010 to June 28, 2011 with interest accruing since June 28, 2009.

Dave recused himself from voting or discussion on this request and asked that Ervin Schlemmer preside over the meeting until discussion is finalized.

Motion: To table a final determination until Wednesday or Thursday of the current business meeting to allow time (for Bill) to complete a site visit on his way to Helena.

By: Bill Koenig

2nd: Patricia Quisno

Action: The motion carried with no dissenting votes.

Issues

Follow-up from September 29 and 30, 2010 Council Meeting

- Rawhide Branded Meats - 0950257

In the September 2010 Council meeting the Council approved the conversion of the business's grant award to a loan with 10 percent interest for not reporting on their grant.

Angie Nelson, Growth Through Agriculture Program Manager, reported that a payment notice was sent on December 6, 2010 and a final notice was sent on June 15, 2011. To date a response has not been received. Staff has not been able to reach Ken Klaudt of Rawhide Branded Meats by using the phone number on file.

This file has been turned over to Department legal counsel.

Follow-up from June 1, 2011 Council Meeting

- Fort Belknap (Little Rockies Meat Packing/Little River Smokehouse) – 0650915

Angie reported that she has been in touch with Michelle Fox recently and they had discussed the final reporting requirements that Angie had outlined and sent to Ms. Fox by email.

Angie reported that on August 1, 2011 Tracy King, President of the Fort Belknap Indian Community sent the Department a letter asking that the information provided by the letter be considered as a final report.

Michelle Fox, who is now managing the business, has submitted an application for review from the Council for the current funding period.

The Council agreed that they did not consider the letter submitted to be a complete final report.

- Brookside Woolen Mill – 0950255

Angie reported that Thayne Mackay of Brookside Woolen Mill submitted all the requested reporting material and that his file had been closed.

- Montana Mountain Bison – 0650962

Angie reported that staff completed a site visit to the business's location in Belt, MT and planned to follow up with a request for a final loan payment and additional reporting information.

- US Omega3 Foods – 1050358 and Montana Food Products – 1050358

Cort Jensen, Chief Legal Counsel, Montana Department of Agriculture has been unable to contact Ron Oberlander of US Omega3 Foods and Montana Food Products. Cort reported that he is in the process of contacting other agencies to determine if anyone else had taken legal action against this individual and/or entity.

Motion: To pursue legal action for non-repayment of funds and breach of contract for reporting failures.

By: Ervin Schlemmer

2nd: Patricia Quisno

Action: The motion carried with no dissenting votes.

- Lolo Peak Winery, LLC – 0450811

During the February 2011 Council meeting, Collin Watters, Acting Growth Through Agriculture Program Manager, reported that Lolo Peak Winery, LLC's primary creditor had begun foreclosure proceedings.

During the Council's June 1, 2011 business conference call Cort Jensen, Department legal counsel reported that, by process of foreclosure, the Department was listed as being sued by the business's primary creditor. The Department has a secondary lien on the sale of the property and primary lien on the sale of the equipment. However, it appears that the Department will not receive any compensation from the sale of the property.

Angie reported that Department staff are in the process of discussing options with Cort regarding the equipment that the Council holds a lien on.

Updates

- Sustainable Systems – 0450785, 0350764 and 0250714

The company has been involuntarily dissolved and is therefore inactive. Payments on the company's \$125,715.50 loan award were set to begin March 2011.

Angie reported that the first past due notice sent to Paul Miller of Sustainable Systems was returned as "unable to forward-unknown address".

Mr. Miller's attorney, Don Snavely, notified Department staff that he is no longer representing him and provided the name and contact information of Mr. Kreisler from GreenShift Corporation.

Cort Jensen, Department legal counsel, sent a certified letter to Mr. Kreisler requesting a response by the end of August. A certified letter to Mr. Kreisler was returned as "return to sender".

Cort advised the Council that the contracts will remain open and filed with the Growth Through Agriculture loan files. Cort reported that he will pursue legal action if the company once again begins business activities in Montana.

- Montana Premium Beef – 0750044

Angie Nelson reported that Department staff completed an onsite visit to the business's location in Dodson, MT. Staff took pictures and verified that the project funded through Growth Through Agriculture grant funding was completed as proposed and the file was closed.

- Crossbow Corporation – 0850124

Angie Nelson reported that the company has been sued by the Department and they were served at the end of July.

The Department's legal counsel, Cort Jensen, reported that a default judgment had been placed on the company for not responding.

Contract Change Requests Allowed Without Full Council Action

Angie Nelson informed the Council of the following requests that were allowed without full Council action as a result of determinations made between herself and David Tyler, Council Chairman.

- Mountain View Gardens – 0950233

The business was allowed a one year extension to complete their project.

- Western Feedstock Technologies – 0950203

The business was allowed a one year extension to complete their project and a budget change.

- Flathead Lake Cherry Growers, Inc. – 1050315

The business was allowed their request for an extension.

- Flathead Lake Cheese Co. LLC – 1050316

The business was allowed their request for an extension and budget change.

- Silent Creations Buffalo Products, LLC – 1050325

The business was allowed their request for an extension and budget change.

- Wustner Brothers Honey – 1150461

The business was allowed their request for a budget change.

Motion: To approve the allowed requests.

By: Patricia Quisno

2nd: Verges Ageson

Action: The motion carried with no dissenting votes.

Other Requests Denied Without Full Council Action

Angie Nelson informed the Council of the following request that was denied without full Council action as a result of determinations made between herself and David Tyler, Council Chairman.

- Mission Mountain Labs – 1150376

The company was denied their request to resubmit a request for the Council to allow additional funding.

Concerns by the Council were voiced about the company's relocation and whether it was still a functioning entity.

Angie Nelson indicated that she was going to gather more information on the company's activities and provide a report to the Council.

Next Council Meeting

The Agriculture Development Council meeting is scheduled to be held September 7 and 8, 2011.

Other Business

David Tyler, Chair, called for other business. No other business was presented.

Public Comments

David Tyler, Chair, called for public comments. No public comments were presented.

David Tyler, Chair, adjourned the meeting at 8:30 a.m., September 6, 2011.

Respectfully submitted by Lindra Davies